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Testimony of Stan Sorkin, Connecticut Food Association

In Opposition to of RB6407: An Act Allowing Employers to Pay Wages Using Payroll Cards

Before the Committee on Labor and Public Employees

February 24, 2011

Good afternoon Chairman Prague, Chairman Zalaski, and members of Committee on Labor and Public employees. My name is Stan Sorkin and I am the President of the Connecticut Food Association.

The Connecticut Food Association is the state trade association that conducts programs in public affairs, food safety, research, education and industry relations on behalf of its 240 member companies—food retailers, wholesalers, distributors, and service providers in the state of Connecticut. CFA's members in Connecticut operate approximately 300 retail food stores and 250 pharmacies. Their combined estimated annual sales volume of \$5.7 billion represents 75% of all retail food store sales in Connecticut. CFA's retail membership is composed of large multi-store chains, regional firms, and single store independent supermarkets. CFA's 90 associate members include the supplier partners of its retail and wholesale members.

I am here today to voice the Connecticut Food Association's opposition to RB6407 which would allow the use of payroll cards to deliver wages, salary or other compensation to employees.

As you are well aware, food retailers are continuing to experience increases in the cost of doing business in the state of Connecticut: gas and electric, fuel, payroll, snow removal, and unemployment insurance, property taxes and more are all increasing. Credit and debit card fees are one of the highest and fastest growing costs for retailers both large and small in Connecticut and across the U.S.

Now the credit card companies and banks are, through this bill, want to add to those costs.

One of the hidden and most expensive costs affecting food retailers that has received national attention with the inclusion of the Durbin amendment in the banking reform law is "interchange fees" or the charges that banks inflict on retailer when consumers elect to pay for their groceries with a debit card. These costs average 44 cents per transaction across the retail industry. A store

195 Farmington Avenue, Suite 200, Farmington, CT 06032

email: ctfood@ctfoodassociation.org • www.ctfoodassociation.org • (860) 677-8097 • Fax (860)

677-8418

must pay the issuing bank 44 cents each and every time a customer uses a debit card at a register and then pay additional fees to the big networks on top of that. The rates and terms of card acceptance are arbitrarily set by Visa and MasterCard. Merchants cannot negotiate with the card companies and are unable to budget for these fees because they are completely unpredictable. On top of that, the credit card companies have had a long history of unilaterally raising interchange fees. Additionally, there is no payment guarantee on these cards because the card network can reverse the charge if the transaction is proved fraudulent, in which case the retailer is left without payment or the merchandise.

A payroll card is simply a debit card and would be an economic burden on supermarkets because of the high and growing cost of accepting cards. Many stores now offer check cashing to their customers. Most CT stores do not charge and provide it as a customer service. Under the proposed bill, all stores who accept debit cards will be required to accept payroll cards. For example, a person getting a \$500 bi-weekly payroll check take home in debit card format might use it at a supermarket 4 times in a two week period which would cost the store about \$1.76 in fees instead of cashing their check and paying in cash, which is cheaper for most merchants than the fees they pay on debit cards. This is not the time to add to a food retailer's costs, costs that will eventually be passed onto consumers.

Also, look at the additional costs that a consumer faces such as paying fees for additional withdrawals after the free first-time withdrawal. Will these fees increase over time as bank fees have a history of doing? Look at the requirements and their related costs outlined in the two pages of language that must be assumed by employers to implement and maintain the system.

This bill has been written to primarily benefit credit card companies and the issuing banks with no regard for the economic realities facing other participants in the payroll process.

For these reasons, **I urge you to reject RB6407: An Act Allowing Employers to Pay Wages Using Payroll Cards.**